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Annual Report 1972

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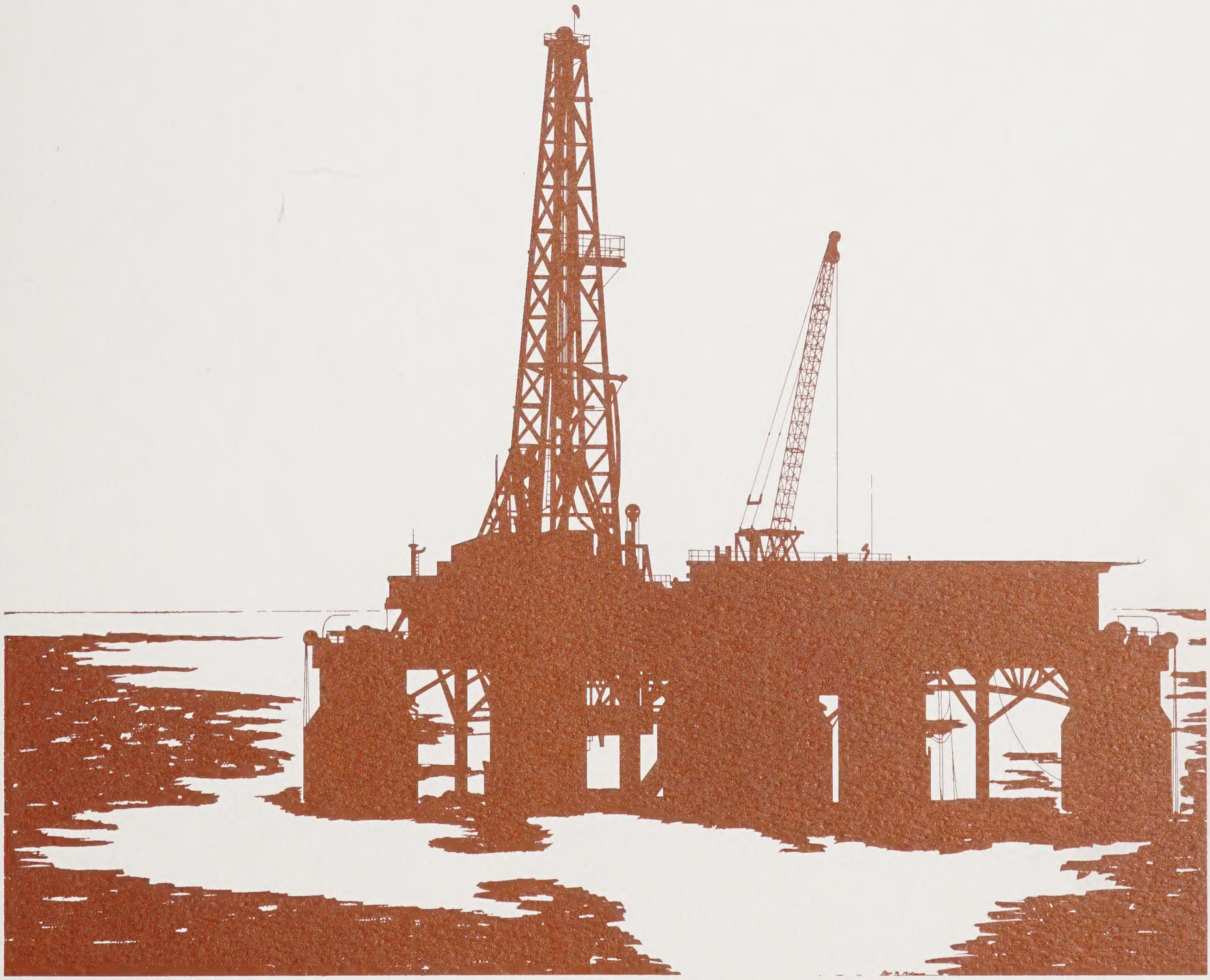
Siebens
OIL & GAS LTD.



Siebens
OIL & GAS LTD.

DIRECTORS

A. J. E. Child, Calgary, Alberta
President, Burns Foods Limited

J. H. Coleman, Toronto, Ontario
Deputy Chairman & Executive Vice-President,
The Royal Bank of Canada

F. N. Hughes, Edmonton, Alberta
Financial Consultant

W. W. Siebens, Calgary, Alberta
President, Siebens Oil & Gas Ltd.

OFFICERS

W. W. Siebens, President

D. E. McPhee, Secretary

V. J. Zaleschuk, Treasurer-Comptroller

HEAD OFFICE

300 Three Calgary Place, Calgary, Alberta

SUBSIDIARIES

Siebens Oil & Gas (Malta) Limited

Siebens Oil & Minerals Inc.

AFFILIATED COMPANIES

Siebens Oil & Gas (UK) Limited

Hibernian Oil & Gas Limited

BANKERS

The Royal Bank of Canada,
Calgary, Alberta

Hambros Bank Limited, London, England

AUDITORS

Riddell, Stead & Co., Calgary, Alberta

SOLICITORS

MacLeod Dixon, Calgary, Alberta

Norton, Rose, Botterell & Roche,
London, England

REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company
Calgary, Vancouver, Regina, Winnipeg,
Toronto, Montreal

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

Canadian Stock Exchange

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held on November 24th, 1972 at 10:00 A.M. in the Company's Boardroom, 300 Three Calgary Place. A formal Notice of this meeting, information circular and form of proxy are being mailed with this report.

TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Annual Report of Siebens Oil & Gas Ltd. and its Subsidiary Companies for the year ended August 31, 1972.

During the past year Siebens gross revenue increased to $2,519,143 from $1,534,296. This significant increase was primarily due to a gain realized on the sale of certain East Coast permits under an Option Agreement entered into prior to the Company becoming publicly owned. Net earnings declined from $74,961 to a net loss of $560,368. This decline was primarily the result of greater dry hole costs and the write-down of the Bahama Licence. Cash and marketable securities amounted to approximately $8,500,000 at August 31, 1972, and the Company continues to be in a strong financial condition.

A significant increase in exploration activity in Western Canada occurred during the past fiscal year on working interest and royalty interest lands held by the Company. A total of 97 wells were drilled on these properties this past year as compared to 56 the previous year. This trend is expected to continue during the coming year.

In Alberta, the Government has recently announced changes in exploration and production regulations, which are expected to provide a positive incentive for expanded exploration drilling. Therefore, the Company should benefit from increased exploration through its large land holdings throughout the Province. In addition, the Company is planning to expand its own exploration program.

Canada's major exploration and producing companies are now focusing their efforts on the frontier areas of the MacKenzie Delta, Arctic Islands and offshore Eastern Canada. Major oil and/or gas accumulations discovered in these areas are rapidly being developed to the point where the threshold volumes required to justify pipeline construction are being approached. The exploration successes in these regions will continue to expose the Company's large acreage holdings to future discoveries.

The Company's affiliate, Siebens Oil & Gas (U.K.) Limited, now holds interests in six Production Licences covering nine blocks in three areas offshore the United Kingdom. In late August, 1972, Siebens (U.K.) was granted a Licence covering four blocks in the German portion of the North Sea. Recent announcements concerning the discovery of very large oil and gas fields in the Northern North Sea in proximity to several of Siebens (U.K.)'s licence areas have made these lands extremely prospective. Detailed seismic surveys were conducted on all of the (U.K.) blocks this past summer and the German blocks are being surveyed seismically at this time. It is likely that six to nine wells will be drilled on Siebens (U.K.) lands during the next several years. Discussions are being conducted to procure a rig or rigs in order to commence drilling in the summer of 1973.

As the North Sea area promises to be the most active and prospective exploration region in the world during the coming decade, the Company is optimistic regarding Siebens (U.K.)'s holdings which now cover approximately 850,000 gross acres (467,045 net acres).

The next few years will be a critical and important period for the oil industry. The demand for energy, particularly natural gas, continues to increase. In fact, many recent studies are predicting fuel shortages of crisis proportions in North America and Western Europe. The industry is capable of mounting the exploration program necessary to meet this challenge only if it can receive realistic prices for its products and fair and equitable treatment in the area of taxation.

Mr. A. J. E. Child, a Director of the Company, will not be standing for re-election because of increasing business responsibilities and commitments. The contribution made to the Company by Mr. Child during his tenure on the Board is gratefully acknowledged.

For the Board of Directors

Wm. W. Siebens

W. W. Siebens
President

October 16, 1972

CANADIAN LAND HOLDINGS

During the past year the Company substantially increased its acreage position in the Western Provinces and has consolidated its acreage holdings in the various offshore areas of Canada.

In establishing a policy of concentrating exploration efforts in Western Canada, the Company actively participated in acreage acquisitions and was successful in acquiring twenty-one Alberta P. & N.G. Reservations totalling 890,880 acres and ten Saskatchewan Permits totalling 729,968 acres during the past fiscal year. The comparison of this year's figures with 1971 in the table below reflect these substantial increases in our acreage position although partially offset by the usual acreage turnover caused by acreage surrenders, lease selections and assignments to third parties acquiring an interest under our Farmout Agreements.

The Ontario Licence shown in 1971 has been assigned to a third party and your Company is maintaining a royalty position. The reduction in net acres in the Arctic Islands from 9,722,547 acres to 4,861,273 acres results from a major oil company having earned its interest this year under a 1969 Agreement. The decrease in acreage in Hudson Bay and Eastern Canada offshore results from minor permit surrenders and interests assigned to other parties under various Farmout arrangements.

As at August 31, 1972, the Company held approximately 32,359,537 net acres, which amounts to 48.4% of the 66,906,123 gross acres held in Canada. The land summary for acreage held in Foreign Areas is shown on Page 12. The Royalty Interests are virtually unchanged from 1971. Our Royalty Interests continue to give the Company impressive representation in many exploration areas at no risk or expense and are another potential source of future revenue.

Gross Acres Farmed Out

The Company will continue efforts to evaluate it's acreage in high risk expensive frontier areas through farmouts, at the same time maintaining sizeable working interest positions. Approximately 37,500,000 gross acres have been committed to other companies in return for work obligations. This figure also includes acreage earned by others and presently held on a joint interest basis and represents 56% of the gross acres held by the Company.

CANADIAN LAND HOLDINGS

WORKING INTEREST PROPERTIES

GEOGRAPHICAL AREA	NATURE OF INTEREST	GROSS ACRES 1972	GROSS ACRES 1971	NET ACRES 1972	NET ACRES 1971
Alberta	Reservations	1,871,173	1,400,764	1,586,361	1,151,025
	Permits	24,480	—	10,384	—
	Leases	525,525	406,781	362,748	314,000
Saskatchewan	Permits	1,145,160	768,320	1,015,026	643,245
	Leases	13,628	22,963	1,622	4,664
British Columbia	Permits	25,104	25,104	25,104	25,104
	Leases	5,534	5,534	246	246
Ontario	Licence	—	1,862,000	—	465,500
Northwest Territories	Permits	230,371	230,371	115,191	115,191
MacKenzie Delta — Beaufort Sea	Permits	2,630,626	2,630,626	1,230,882	1,315,313
Arctic Islands	Permits	19,445,094	19,445,094	4,861,273	9,722,547
Hudson Bay	Permits	4,898,478	5,647,201	1,172,255	1,355,695
*Eastern Canada—Offshore	Permits	36,090,950	40,253,372	21,978,445	26,771,421
		66,906,123	72,698,130	32,359,537	41,883,959

* Gross and Net figures include 15,472,679 acres gross, 10,315,120 acres net filed on and pending issuance of Permits from Federal Government.

CANADIAN OIL AND GAS EXPLORATION

Western Canada

The Company experienced its most active drilling year since becoming a public company. Ninety-seven (97) wells were drilled on Company-owned working interest and royalty properties during the twelve month period ended August 31, 1972.

The Company drilled or participated in twenty-six (26) wells resulting in the completion of fifteen (15) gas wells and six (6) oil wells.

The fifteen gas wells were completed in the Milk River sand in southeast Alberta with production from these wells going on stream in March, 1972. A number of these were infill wells, the reserves of which were reflected in our 1971 report on gas reserves. Our working interest in these wells ranging from 25% to 50%.

Four (4) follow-up wells were drilled in the Sunset Triassic oil field as the result of our initial oil discovery in 1971. Our 15% working interest in this oil field is reflected in our increased oil reserves for 1972. The Company purchased a 30% working interest in offsetting Crown lands and anticipates drilling in the immediate future with a view to extending the size of this oil field.

Twenty-nine (29) wells were drilled at no cost to the Company on farmouts resulting in six (6) gas wells and one (1) oil discovery. Four gas discoveries were in the Calling Lake-Craigend Area of East Central Alberta. Your Company holds a sizeable working interest position in this shallow gas area; however, development drilling is not contemplated in the immediate future pending the availability of a gas market and negotiation of a satisfactory gas sales contract.

In the Woking area of west-central Alberta, Anderson Exploration Ltd. made a Gething zone gas discovery under a farmout from the Company. With a 50% working interest in the lands your Company has applied for a natural gas licence from the Alberta Government and is presently drilling a follow-up well to evaluate the gas reservoir. The Company has entered into a gas sales contract with production from the discovery well to commence this fall.

Forty-two (42) wells were drilled on royalty interest properties resulting in twenty-one gas wells and two oil wells. Twelve (12) of the gas wells were Milk River sand completions in which the Company holds a $6\frac{1}{3}$% royalty. The balance of the wells were spread throughout the Provinces of Alberta and Saskatchewan.

EXPLORATORY AND DEVELOPMENT WELLS DRILLED

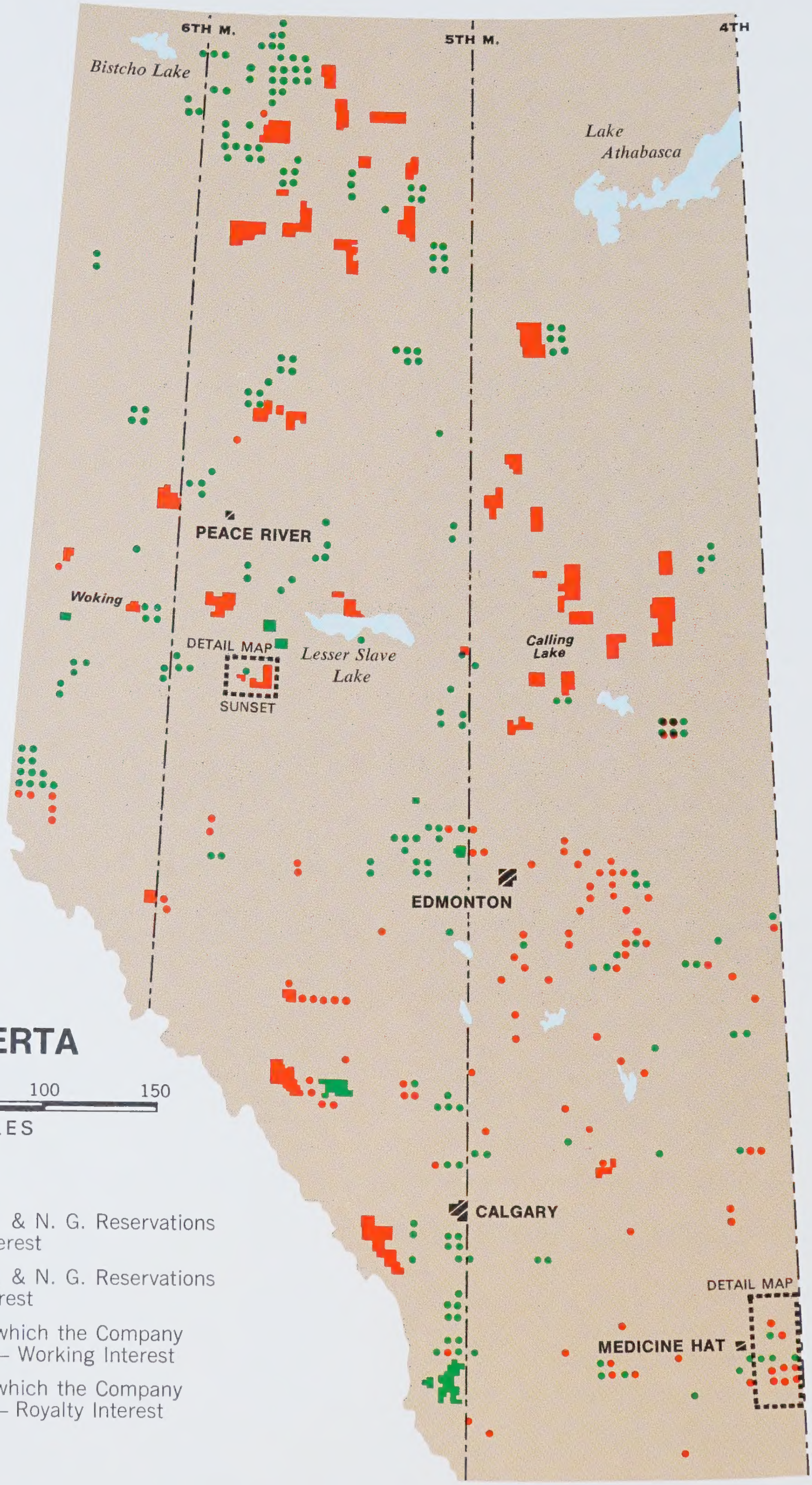
	Gas Wells	Oil Wells	Abandoned	Total
Participated	15	6	5	26
Farmout	6	1	22	29
Royalty	21	2	19	42
	42	9	46	97

Our strong land position in Alberta and Saskatchewan will ensure a very active drilling program for the ensuing fiscal year. The Company will be participating in the drilling of a minimum of eleven (11) exploratory and development wells and is anticipating additional development drilling in the Medicine Hat and Sunset Areas.

At the time of writing this report, thirty-five (35) wildcats wells have been committed to be drilled on 100% owned Company lands by other parties through farmout agreements, with a further potential of thirty-eight (38) wells to be drilled at the other parties option, at no cost to the Company. The majority of these committed and option wells are in the Milk River-Viking gas areas of southwest Saskatchewan which are more fully discussed on page 5 of this report.

ROYALTY INTEREST PROPERTIES

Geographical Area	Gross Royalty Acreage
Alberta	982,484
Saskatchewan	416,386
British Columbia	823,531
Ontario	1,862,000
Hudson Bay	7,467,494
Northwest Territories & Arctic Islands	30,146,558
Eastern Canada - Offshore	4,534,597
Total Royalty Interest Acreage	46,233,050



ALBERTA

0 25 50 100 150
MILES

Drilling and P. & N. G. Reservations —Working Interest

Drilling and P. & N. G. Reservations —Royalty Interest

Townships in which the Company holds leases — Working Interest

Townships in which the Company holds leases — Royalty Interest

Saskatchewan

The anticipated rise in natural gas prices and the immediate availability of a gas market along with the development and extension of the Milk River sand trend from southeast Alberta, has greatly increased exploration activity in southwest Saskatchewan. The large acreage holdings of the Company in southwest Saskatchewan hold promise for the Milk River sand as well as other gas producing horizons and have enabled us to negotiate very satisfactory farmout terms on our acreage holdings.

Highlighted on the map below are seven Saskatchewan Permits totalling 526,080 acres with a total of 22 wells committed to be drilled by other companies within the next six months at no cost to the Company. The Company is extremely pleased with the exploration activity and evaluations being conducted in the coming year on our Saskatchewan land holdings.

Permit No. 2160 will have six Milk River test wells and one Viking test well drilled on it this fall which will earn the drilling party a 25% working interest in the Permit block. Seven additional Milk River test wells are required on an option basis to earn a further 25% working interest.

Permit No's 2176 and 2178 will have four Milk River test wells drilled on each of the Permits which will earn the drilling party a 50% working interest in one half of the Permit blocks with options to earn additional interest with further wells.

Two Milk River tests have been committed to Permit No. 2201. The drilling party earns no interest in the lands with these two wells but has the right to drill three additional Milk River and one Viking test to earn a 50% working interest in the Permit block. Until we have reviewed the drilling results of the various farmouts described above we are retaining full ownership in Permit 2200.

Permit No's 2157 and 2175 will be evaluated with a Viking test on each Permit block. Each well will earn a working interest in ten permit sections for the drilling party with continuing options to earn additional ten permit sections with each Viking test drilled.

SOUTHWEST SASKATCHEWAN

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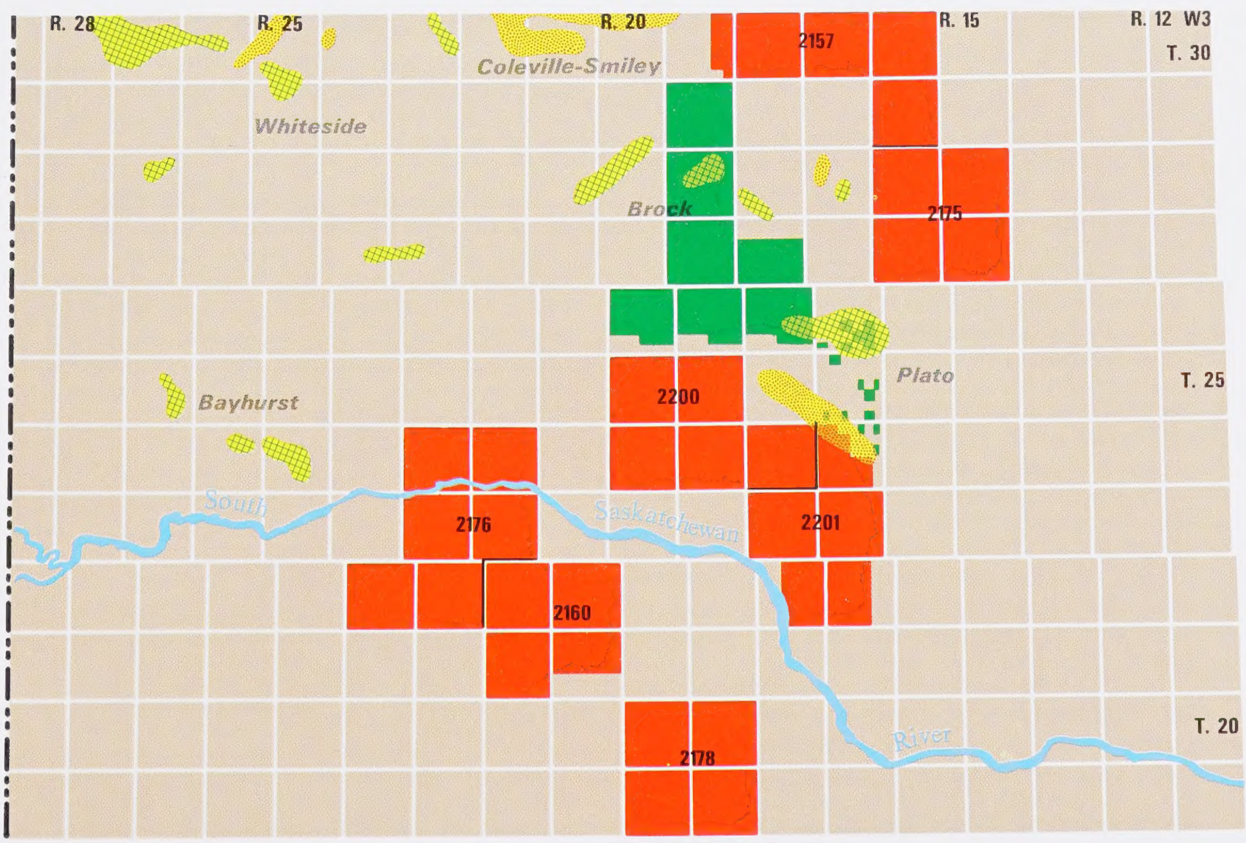
MILES

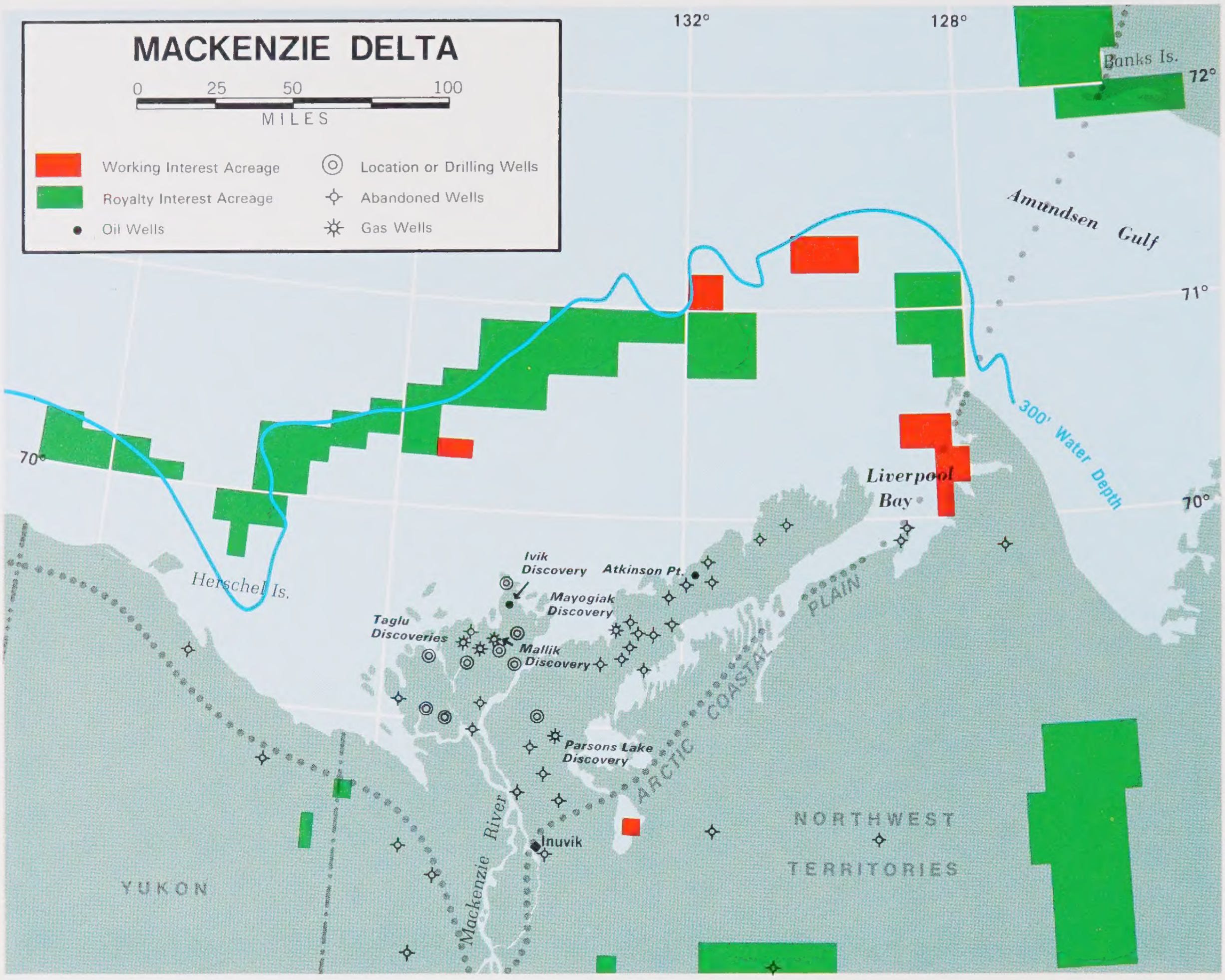
P & NG Permits

Working Interest Acreage

Royalty Interest Acreage

Oil Fields Gas Fields





Mackenzie Delta

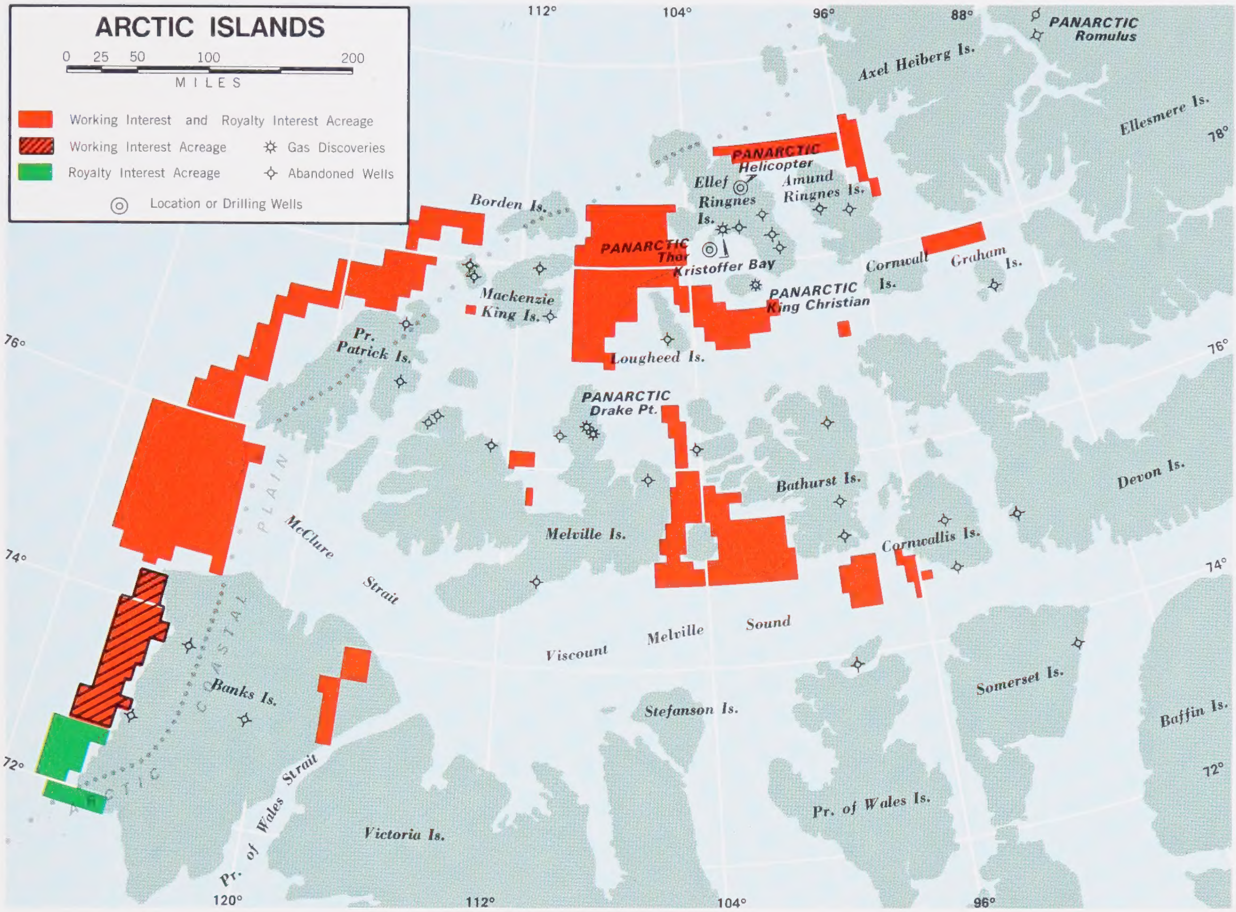
Recent exploratory drilling in the Mackenzie Delta region has resulted in several significant gas discoveries. The stepout well, Imperial Taglu West P-03, drilled a few miles west of the Imperial Taglu G-33 gas discovery announced in August, 1971, was reported to be capable of gas production at high rates. Natural gas was tested from three zones in the Imperial Mallik L-38 well before the rig was forced to move due to spring breakup. The Gulf-Mobil Parsons K-09 well flowed gas and condensate from a zone tested below 9300 feet. Imperial has reported that two other currently drilling wells encountered several hydrocarbon-bearing zones believed to contain gas. These wells, Mallik A-06 and Taglu C-42 are near total depth at the time of writing and when tested could add considerably to the reported gas and oil reserves discovered to date.

The signing of a gas contract by Imperial with two U.S. utility companies for ten trillion cubic feet of gas suggests the Mackenzie Delta area contains several gas fields of giant proportions. Feasibility studies regarding a gas pipeline from the Delta area to Alberta are well underway and it is expected that an application will be made in 1973 to the Canadian Federal Government for permission to build the line.

Imperial is currently utilizing dredges to construct two artificial islands in the shallow waters of Mackenzie Bay. Drilling will commence on the islands in the summer of 1973 if the islands successfully withstand the force of the winter ice. These wells will be the first to test the large geological structures present in the shallow waters of the Beaufort Sea.

Siebens Oil & Gas Ltd. is currently conducting a detailed marine seismic survey over its properties located in Liverpool Bay to the northeast of Imperial's discoveries. Previous surveys indicate a large structural anomaly to be present under these permits and the additional detailed seismic will help delineate this feature. The Company holds a 50% working interest in 259,358 gross acres in Liverpool Bay.

It is expected that fifteen to twenty-five wells will be drilled by the major land holders in the Delta region this winter.



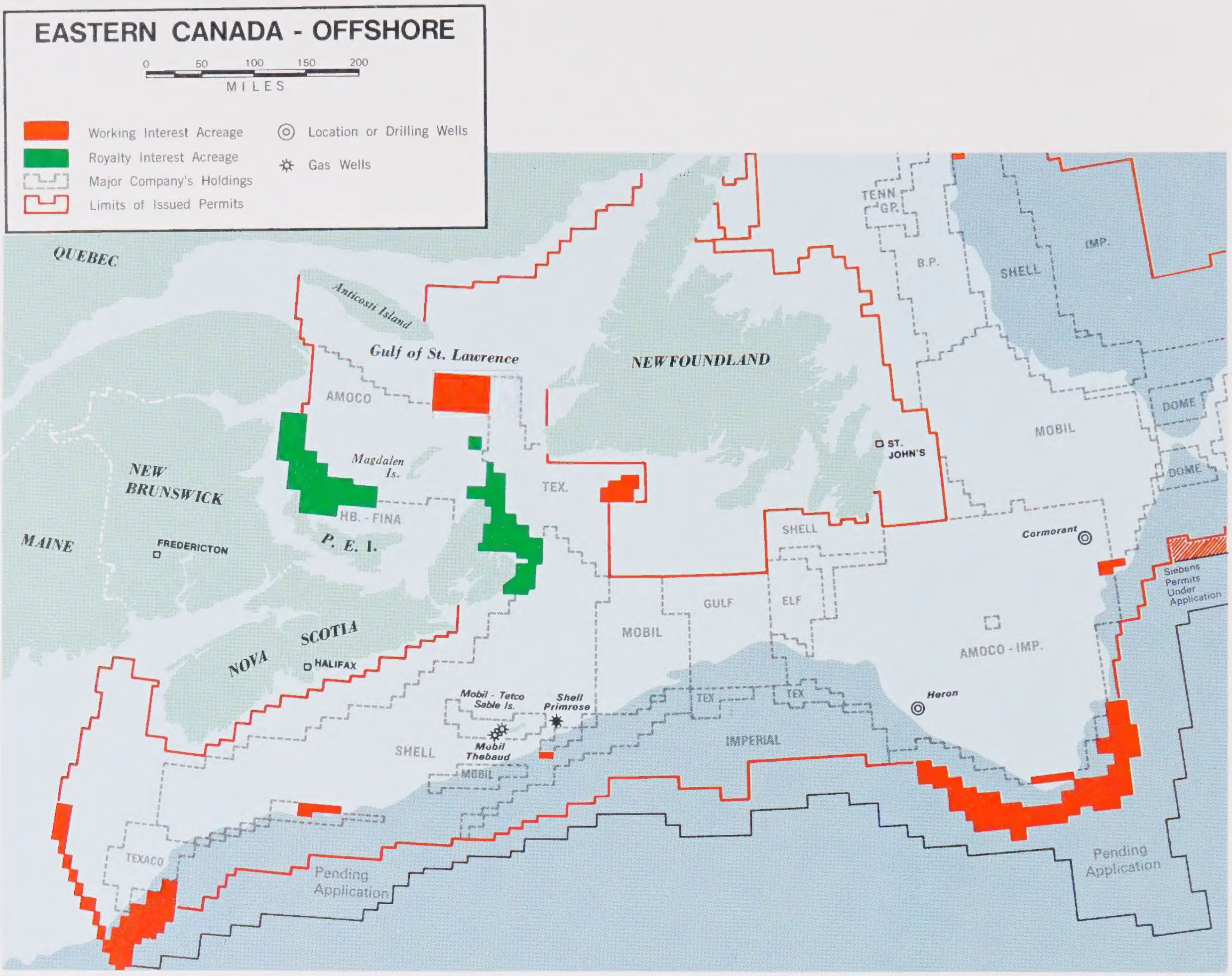
Arctic Islands

Three more discoveries in the Arctic Islands have been announced by Panarctic Oils Ltd., operator of the Government-Industry joint venture consortium. A substantial thickness of gas sand was encountered at the Kristoffer Bay discovery on Ellef Ringnes Island indicating major gas reserves. Encouraging recoveries of oil from the Romulus well on Ellesmere Island and the Thor well located a few miles southwest of the Kristoffer Bay discovery, are significant as they are the first indications the Arctic Islands will be capable of producing oil as well as gas. A successful stepout to the Drake Point gas discovery on Melville Island confirmed this field as a major gas reservoir.

Studies have been initiated by Panarctic into the environmental impact of various pipeline routes southward from the Arctic Islands to the Midwest market areas of the United States. Pipeline routes on both sides of Hudson Bay are being investigated as to feasibility costs, ecological damage and methods of laying the pipeline across the marine portions of the right-of-way. The implication is that the consortium is close to having proved sufficient gas reserves to justify the building of this expensive pipeline.

In addition to Panarctic's activities, several agreements have been made by other land holders in the Arctic Islands that will increase exploration drilling over the next several years. Dome Petroleum Ltd. announced an agreement with three large gas companies who will spend $30 million in exploratory drilling on Dome's Arctic Island acreage over the next five years. Gulf Oil Canada Ltd. increased its acreage position in the Arctic Islands by a farmin arrangement with Global Marine Arctic Inc. Gulf will conduct exploratory work to earn a 25% interest in 6.5 million acres, largely offshore, and mostly in the prospective Sverdrup Basin. Magnorth Petroleum Ltd., holders of over 14 million acres located mostly offshore in the Northwest Passage, has an agreement whereby a major gas company will spend $9.8 million over a five year period in exploration on the Magnorth holdings to earn a 25% working interest therein. Options are available to increase the working interest to 50% by spending an additional $26.5 million. The vast sums being marshalled to conduct exploration in the Arctic Islands is one indication of the interest held by the petroleum industry in this highly prospective area.

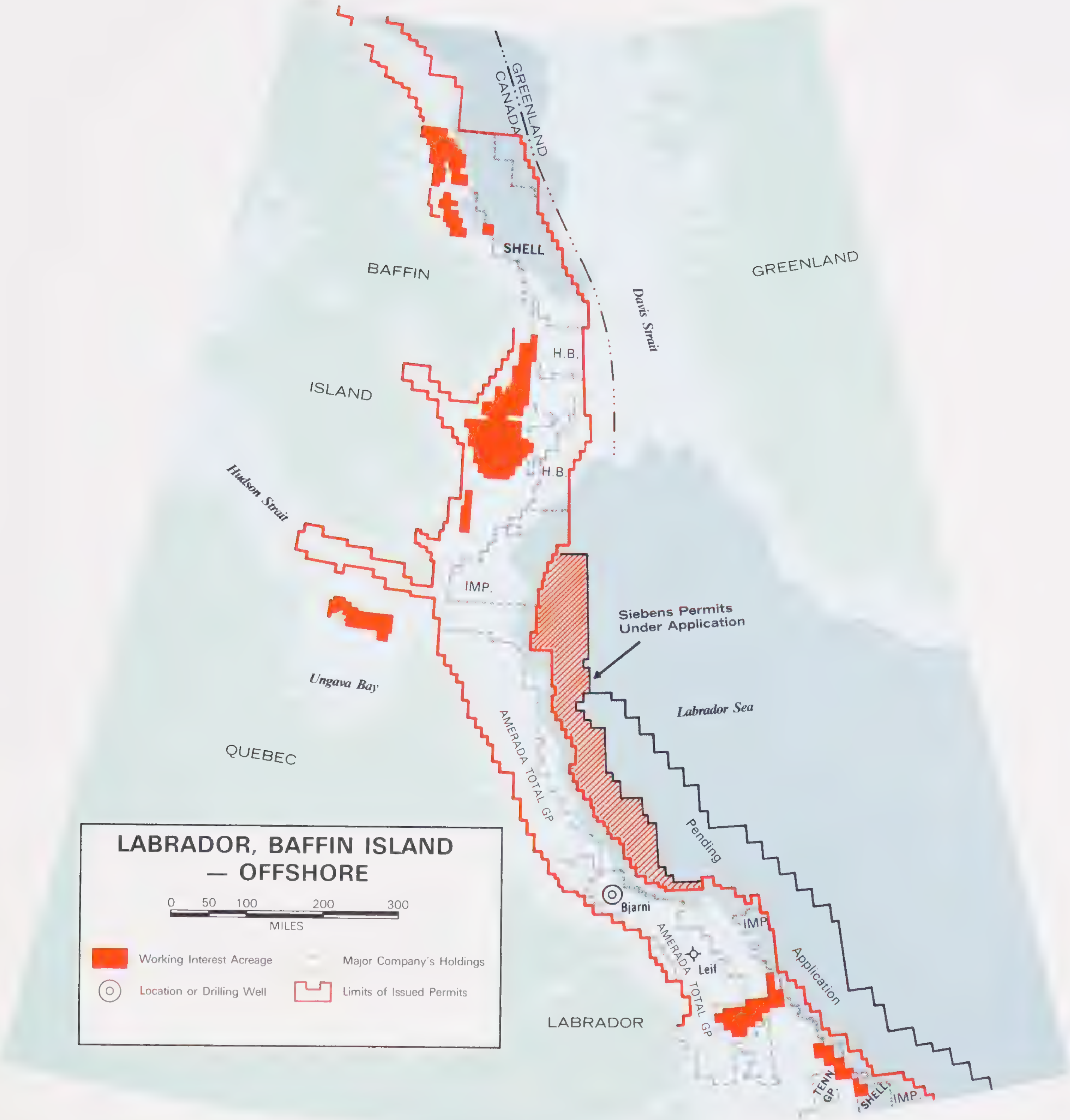
The Company's interest in 19,445,094 gross acres spread throughout the Islands has been reduced to a 25% working interest



as a result of a farmee having earned a 50% working interest by performing certain work commitments. Exploration on these lands is continuing mainly in the form of seismic surveys. The permits are in good standing with sufficient work credits to carry them into the fall of 1974 with a large portion of the permits carried to 1976 and beyond. An exploratory well was drilled and abandoned last winter offsetting Company lands lying off the west coast of Banks Island. By drilling the Storkerson Bay well, the Elf Group earned a 25% interest (84,431 net acres) in permits adjacent to the well. Interpretation of marine seismic surveys conducted on this block of permits confirmed the presence of a thick sedimentary sequence, which, while structurally complex, is considered highly prospective. The Company is presently discussing farmout arrangements with third parties.

East Coast

The Company continues to hold in excess of 36 million gross acres located in offshore areas of Eastern Canada. This includes over 15 million acres in deeper waters under application and pending issuance from the Federal Government. Interest in the offshore areas of the East Coast of Canada has increased with the announcement by Mobil Oil Canada Ltd. and Texas Eastern Transmission Company that their Thebaud well had flowed gas at a rate of 10 million cubic feet per day through a restricted choke during a drillstem test below 9,600 feet. This exploratory test is located six miles southwest of the Mobil Sable Island gas discovery which flowed hydrocarbons from 17 zones during tests conducted in 1971. Another stepout to the Sable Island discovery, the 0-47 test, is reported to have flowed gas at rates up to 13 million cubic feet per day during drillstem tests below 12,400 feet. A platform, capable of handling the drilling of several directional holes, presently supports a rig drilling another stepout a short distance from the Sable discovery. Further promising indication of the hydrocarbon potential of the Sable Island areas was the Primrose well drilled by Shell Canada Ltd. some 30 miles southeast of the Sable discovery well. It was reported to have flowed sweet gas and some oil from several zones. Shell has indicated it will return to this area for further drilling and testing of the structure.



Thirty-three wells have been drilled on the Scotia Shelf during the past four years, Shell having drilled twenty-eight and Mobil five. A new semisubmersible drilling vessel has been commissioned in Halifax to work for Mobil while two semisubmersibles are drilling for the Amoco-Imperial team on the Grand Banks. BP Oil & Gas Ltd. are planning to commence drilling their 12.7 million acre block off the coast of Labrador in 1973 or 1974. It is also reported that the drillship Pelican will be drilling off Labrador in 1973 on lands held by a group of French oil companies.

The probability of substantial gas reserves in the Sable Island area has caught the attention of large U.S. gas companies who require these potential future reserves to fulfill their contractual commitments. BP Oil & Gas reported that Columbia Gas Development of Canada Ltd., a subsidiary of a major U.S. gas utility company, will acquire a 40% working interest in its Labrador permits and first call on the right to purchase any gas that may be discovered and produced on the acreage. Columbia will provide $25 million to finance exploration for seven years and pay all

development costs. It is understood feasibility studies regarding the laying of a submarine pipeline from Sable Island to the Nova Scotia coast are well underway. Major gas reserves are required to justify construction of this pipeline.

Canada-Cities Service Ltd. has completed over 2700 miles of marine seismic on lands held by the Company east of Baffin Island. In addition, over 10,000 line miles of aeromagnetometer programs have been conducted. Canada-Cities Service has now earned a 25% working interest in 8,528,000 gross acres along Baffin Island. Further interests may be earned by drilling up to eight wells on this acreage.

Seventeen hundred miles of marine reconnaissance seismic was completed on 2,471,595 permit acres located off the Labrador coast by Hudson's Bay Oil & Gas Ltd. thereby earning a working interest in this block of permits. Hudson's Bay also completed a reconnaissance seismic survey in the Gulf of St. Lawrence on exploratory permits totalling 2,117,317 acres and has thus earned a working interest in the acreage. It is estimated that over $1.5 million has been expended on seismic work on the Company's East Coast lands during the past year.

A large block of acreage, totalling 4,068,624 acres located off the East Coast of Canada in deep water has been optioned to a major oil company. Optionee can earn a working interest in the lands by conducting the necessary work requirements over the first 6 year term of the Permits. A well will earn Optionee its maximum working interest in 1,000,000 acres with well options on the balance of the lands.

The Company's large and dispersed land holdings on the East Coast of Canada are well placed with regard to future exploration activity and the Company would benefit if any discoveries are made in proximity to them.

Hudson Bay

The Company's land holdings in Hudson Bay have been reduced due to surrender of some permits. Drilling of the Aquitaine-ARCO group's large holdings in Hudson Bay will commence in the summer of 1973.

This drilling program, estimated to cost $20 million, will take several years to complete and will help evaluate the potential of this large sedimentary basin.

FOREIGN OIL AND GAS EXPLORATION

United Kingdom

Application for Production Licences was made by Siebens Oil & Gas (U.K.) Ltd. to the Department of Trade and Industry on August 20, 1971. On March 16, 1972, it was announced Siebens (U.K.) was to be awarded interests in five Production Licences covering seven blocks in three areas offshore of the United Kingdom. The Company holds a 40% interest in its affiliate, Siebens Oil & Gas (U.K.) Ltd. The other owners and their respective interests are:

Hambros Bank Ltd.	11.56%
Guardian Royal Exchange Assurance Ltd.	18.44%
Coalite and Chemical Products Ltd.	11.56%
Phoenix Assurance Company Ltd.	18.44%

In addition to the seven blocks awarded in 1972, Siebens (U.K.) previously acquired a 10% interest in Blocks 16/3 and 16/7. Siebens (U.K.) presently holds 495,641 gross acres (307,686 net acres) in waters offshore from the United Kingdom.

Production Licence P. 108

Consisting of Blocks 16/3 and 16/7, this Licence lies midway between the Forties oil field and the Frigg gas-condensate field in the northern North Sea. Partners in the Licence are Pan Ocean Oil (U.K.) Ltd. (40%), Siebens Oil & Gas (U.K.) Ltd. (10%), Syracuse Oils (U.K.) Ltd. (35%), Sunningdale Oils (U.K.) Ltd. (10%) and others (5%). Detailed seismic over the blocks has been completed and two features have been outlined which would warrant evaluation by drilling. Pan Ocean, the operator for the group, is proceeding with plans to obtain a suitable drilling rig and a well will likely be commenced on Block 16/7 in 1973.

Production Licence P. 222

Block 16/2 lies adjacent to the blocks contained in Production Licence P. 108. Partners in the Licence are Pan Ocean (45%), Siebens (U.K.) (10%), Syracuse (35%), and Sunningdale (10%). A detailed program of marine seismic was carried out in conjunction with the survey over Blocks 16/3 and 16/7. The Licence carries the obligation to drill one exploration well before March 16, 1978.

Shell/Esso completed their 16/8-1 well offsetting Blocks 16/3 and 16/7 this summer and announced the well to be a discovery

SUMMARY OF UNITED KINGDOM PRODUCTION LICENCES

Licence No.	Block No.	Area (Sq. Km.)	Siebens (U.K.) Interest	Net Area (Acres)
P. 108	16/3	223.4	10 %	5,520
	16/7	223.4		5,520
P. 222	16/2	214.0	10 %	5,288
P. 234	2/10	202.5	95 %	47,535
	3/28	206.7		48,523
P. 235	9/4	207.7	47.5%	24,379
P. 182	205/30	206.7	95 %	48,524
P. 157	92/10	261.7	95 %	61,432
	103/28	259.7		60,965
		2005.8 Sq. Km. (495,641 acres)		307,686

but noncommercial at this time. Oil and gas were reported to have flowed from several zones.

Production Licence P. 234

Blocks 2/10 and 3/28 are held by Siebens (U.K.) (95%) and Westburne Drilling & Exploration (U.K.) Ltd. (5%). This Licence carries an obligation to drill one exploration well in the licensed area before March 16, 1978. Detailed seismic has indicated interesting anomalies on both blocks. It is considered that one or possibly two wells will be drilled on these blocks.

The blocks are located in the northern North Sea, an area of extremely high potential in light of the recent announcements by Shell/Esso of the discovery of a major oil field at Brent and encouraging tests of oil from their 211/26-1 well.

Production Licence P. 235

Block 9/4, lying about 8 miles west of the Frigg gas-condensate field situated in the Norwegian sector of the northern North Sea, is held by Siebens (U.K.) (47.5%), Westburne (2.5%), and the Numac-Britcan Group (50%). The licence carries the obligation to drill one exploration well before March 16, 1978. Detailed seismic has been completed over the block. Results of exploratory drilling on the adjacent block will be carefully considered prior to selecting a drilling location.

Production Licence P. 182

This Block, 205/30, is located to the west of the Shetland Islands, north of the Scottish mainland and is held by Siebens (U.K.) (95%) and Westburne (5%). The licence carries an obligation to drill a well before March 16, 1978 and detailed seismic has confirmed Siebens (U.K.)'s favorable opinion of the block.

Production Licence P. 157

Blocks 92/10 and 103/28 are situated in the Celtic Sea south of Wales and west of Cornwall. The licence is held by Siebens (U.K.) (95%) and Westburne (5%) and carries an obligation to drill one exploration well before March 16, 1978. The detailed seismic program has indicated structural anomalies on both blocks and consideration is being given to the selection of a drilling location.

Marathon Petroleum Ireland Ltd. is currently drilling an exploratory well 8 miles northwest of Block 92/10. The Marathon Kinsale Head gas discovery lies about 50 miles to the northwest.

It is considered the areas covered by the Siebens (U.K.) Production Licences are well placed with regard to future exploration activity in the northern North Sea, Celtic Sea and area west of the Shetland Islands.

German North Sea

Siebens (U.K.) made a joint application to the West German Government on June 30, 1972 with a German partner, Nordsee Erdoel und Erdgas Gewinnungs GmbH for a licence covering four blocks extending over 354,131 acres in the German North Sea. On August 28, 1972, Blocks J10, J13, J15 and M3 were awarded to Siebens (U.K.) (45%) and Nordsee Erdoel und Erdgas (50%). A third party holds a 5% interest. Detailed seismic surveys will commence on the blocks in October, 1972.

The German portion of the North Sea has not seen any exploration activity since 1967, primarily due to the boundary dispute in the offshore area with the Netherlands and Denmark. Since this dispute has been resolved and much of the area relinquished to the German Government, the area is of great interest from an exploration standpoint in light of the recent discoveries in Mesozoic and Tertiary sediments further north in the North Sea. Jurassic and Triassic sediments are prospective for major accumulations of hydrocarbons and the proximity to market of the awarded blocks is a positive factor. Renewed drilling activity is expected in this area in the near future.

Ireland

Siebens (U.K.) owns 80% of the issued share capital of Hibernian Oil & Gas Limited, a company incorporated in the Republic of Ireland. It is expected the Government of Ireland will invite applications for exploration blocks in the Celtic Sea and in waters to the west and southwest of Ireland. While the timing of invitation is unknown, there are indications it would occur in early 1973. In order to obtain the information required to select the blocks for which application will be made, Hibernian has acquired more than 4000 line miles of marine seismic covering the areas expected to be made available for licence applications.

Dutch North Sea

On May 15, 1972, following completion of a seismic program over the relevant areas, a joint application was submitted to the Dutch Ministry of Economic Affairs for a licence over two blocks in the Dutch portion of the North Sea. Partners in the application are Siebens (U.K.) (10%), Forest Oil Netherlands Corp. (20%), Clinton International Corp. (20%), Hispanica de Petroleos S.A. (25%) and Zapata Corporation (25%). It is expected the announcement of awards will be made before January, 1973. The blocks applied for, A10 and A15, lie close to the U.K. - Dutch median line.

Malta

Earlier this year Siebens (Malta), a wholly owned subsidiary of the Company, participated in the drilling of a deep exploratory well located approximately 25 miles east of the Island of Malta. Siebens (Malta) has a 21¼% interest in the production licence covering 426,322 gross acres located on the Maltese continental shelf. Shell (Malta) are drilling a 15,000 foot test about 8½ miles north of the abandoned well and are obligated to drill a second deep test to fulfill the licence obligations. Aquitaine (Malta) are obligated to drill a deep test on its licence area to the south of our licence. The Company's exploration plans regarding its licence are being reviewed pending the completion of the other wells.

Adriatic

The Company has recently concluded a farmout agreement covering a Permit in the Adriatic Sea whereby the farmee will conduct a detailed seismic program over the permit lands and has an option to drill a test well to earn a 50% interest in the lands. In addition, Forest Oil Corp. has recently commenced the drilling of a deep test well on lands adjacent to the farmout lands.

Other Areas

Applications to and negotiations with the Governments of several foreign countries are underway for oil and gas concessions or licences. Many prospective foreign offshore areas remain to be explored and the Company will be actively pursuing participation in these exploration ventures.

FOREIGN LAND HOLDINGS

Geographical Area	Nature of Interest	Gross Acres	Net Acres
* Alaska — North Slope	Leases	42,711	13,268
Bahama Islands	Licence	3,985,920	1,992,960
United Kingdom — Offshore	Licences	495,641	307,686
German North Sea	Permit	354,131	159,359
Malta	Licence	426,322	90,593
Adriatic	Permits	354,131	14,232
		5,447,044	2,578,098

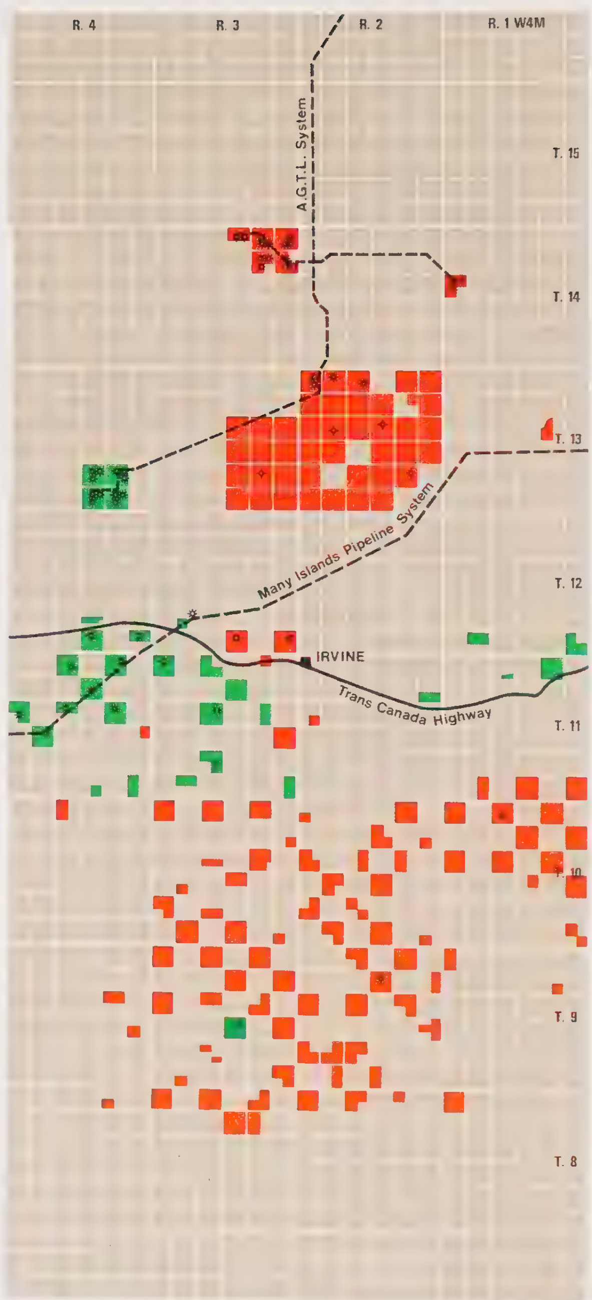
* The Company also has first priority rights on 180,000 net acres under dispute between the U.S. Federal Government and the State of Alaska relating to native claims. The Company holds Royalty Interests on 81,780 acres located on the North Slope.

PRODUCTION

Production of crude oil and natural gas liquids averaged 261 barrels per day, an increase of 81 percent over last year. This increase was due mainly to four new wells going on production in the Sunset Field of Alberta. Further drilling will probably be carried out in this field during the next year to determine the pool boundaries which are open to the north and west.

Natural gas sales averaged 4.3 million cubic feet daily, an 11 percent increase over the prior year. It is expected the improvements in gas production will continue through the coming year as a result of a full year's production from 20 wells in the Medicine Hat area which were placed on production in March of 1972. The Company's interest in these wells varies from 25 to 50 percent.

In addition to the acreage presently on production the Company has a large amount of undrilled acreage in the Medicine Hat area which, from evaluation of Medicine Hat zone wells that have penetrated the Milk River zone, appears to contain gas reserves. With significant higher prices being offered for gas under new contracts and a substantial number of old contracts being renegotiated during the coming year there is a possibility contracted gas prices in the Medicine Hat area will increase. If this occurs it is almost certain a development drilling program would be initiated on Company acreage.



MEDICINE HAT

0 1 2 3 6 12
MILES

Working Interest Acreage

Royalty Interest Acreage

NET PRODUCTION OF OIL, NATURAL GAS NATURAL GAS LIQUIDS AND SULPHUR

September 1, 1971 - August 31, 1972

	Crude Oil (barrels)	Natural Gas (Millions of Cubic Feet)	Natural Gas Liquids (Barrels)	Sulphur (Long Tons)
Working Interest	78,200	1,307	6,870	600
Royalty Interest	5,700	251	4,390	528
Total	83,900	1,558	11,260	1,128

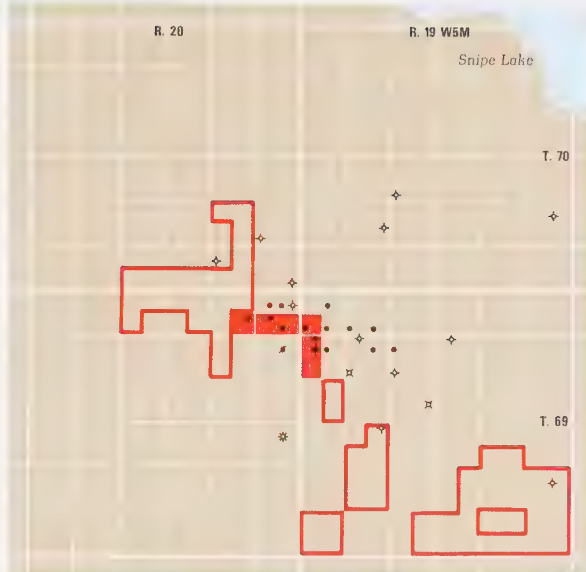
RESERVES

The Company's net reserves, estimated by its engineers, are shown on the accompanying table. These reserves are equivalent to 5,424,000 barrels of oil, converting gas at one barrel per 14 Mcf of gas and three barrels per long ton of sulphur.

Oil reserves were increased by 15 percent during the year. Development drilling in the Sunset Field of Alberta accounted for the increase.

The major portion of the 6 percent increase in gas reserves was due to a Gething zone gas discovery drilled in the Woking area of Alberta. A follow-up well will be drilled in this area early this fall. The discovery well will go on production in November and, due to a favorable renegotiation clause in the gas contract, the Company will benefit from any general gas price increases in the future.

Although a substantial number of Milk River development wells were drilled in Medicine Hat, these were for deliverability only and did not reflect in this year's reserves. Infill drilling is now completed and any additional wells completed in this area will add to the Company's reserves.



SUNSET AREA

0 1 2 3 6
MILES

Working Interest Acreage

P & NG Drilling Reservation

P & NG Leases

Oil Well

Gas Well

Abandoned

NET RESERVES OF OIL, NATURAL GAS NATURAL GAS LIQUIDS AND SULPHUR

August 31, 1972

	Crude Oil (Barrels)	Natural Gas (Millions of Cubic Feet)	Natural Gas Liquids (Barrels)	Sulphur (Long Tons)
Working Interest	1,362,400	42,300	202,500	41,300
Royalty Interest	79,100	7,400	69,200	12,300
Total	1,441,500	49,700	271,700	53,600

Siebens
OIL & GAS LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1972

Assets

	1972	1971
CURRENT ASSETS		
Cash	$ 84,338	$ 189,183
Marketable securities, at cost (Note 2) (quoted market value 1972 - $8,800,875; 1971 - $9,540,250)	8,439,703	8,937,203
Accounts receivable	64,720	233,359
Accrued interest	291,918	310,542
	8,880,679	9,670,287
INVESTMENT IN AND ADVANCES TO 40% OWNED COMPANY, at cost		
Siebens Oil & Gas (U.K.) Limited	270,133	274,513
PROPERTY, PLANT AND EQUIPMENT		
Petroleum and natural gas leases and rights together with exploration and development thereon (Note 1(b))		
Producing	1,940,297	1,458,777
Accumulated depletion and depreciation	143,950	68,046
	1,796,347	1,390,731
Non-producing	1,096,198	1,587,701
Equipment and other assets, at cost less accumulated depreciation 1972 - $41,681; 1971 - $27,600	46,642	50,296
	2,939,187	3,028,728
OTHER ASSETS	60,482	3,180
	$12,150,481	$12,976,708

The accompanying notes are an integral part of this financial statement.

Liabilities

	1972	1971
CURRENT LIABILITIES		
Bank indebtedness	$ —	$ 155,195
Accounts payable and accrued liabilities	317,053	371,771
Due to joint venture partners	96,043	111,977
Income taxes (Note 4)	—	68,585
	413,096	707,528
GAS PRODUCTION PREPAYMENT	49,028	50,000
CONTINGENT LIABILITIES (Note 2)		

Shareholders' Equity

CAPITAL STOCK (Note 3)		
Authorized		
12,000,000 shares without nominal or par value		
Issued		
6,256,300 (1971 - 6,251,000) shares	11,784,925	11,755,380
RETAINED EARNINGS (DEFICIT)	(96,568)	463,800
	11,688,357	12,219,180

Signed on behalf of the Board:

Wm. W. Siebens Director

Director

	$12,150,481	$12,976,708

The accompanying notes are an integral part of this financial statement.

Siebens
OIL & GAS LTD
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS (DEFICIT)

For the Year Ended August 31, 1972

	1972	1971
REVENUE		
Oil and gas production	$ 428,444	$ 334,959
Interest	814,682	846,502
Sale of oil and gas rights and seismic information	1,170,769	262,245
Other	105,248	90,590
	2,519,143	1,534,296
COSTS AND EXPENSES		
Production expense	161,873	93,859
Carrying charges of non-producing properties	396,111	384,122
Exploration expense	81,361	354,501
Dry hole costs	1,377,038	181,035
Property surrenders and write-downs	635,224	29,368
General and administrative	337,919	343,575
Depletion and depreciation	89,985	72,875
	3,079,511	1,459,335
NET EARNINGS (LOSS) (Note 4)	$ (560,368)	$ 74,961
EARNINGS (LOSS) PER SHARE	$(.09)	$ .01

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended August 31, 1972

	1972	1971
RETAINED EARNINGS AT BEGINNING OF YEAR	$ 463,800	$ 581,995
Additional taxes on incomes of predecessor companies	—	193,156
	463,800	388,839
Net earnings (loss) for the year	(560,368)	74,961
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	$ (96,568)	$ 463,800

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended August 31, 1972

	1972	1971
SOURCE OF FUNDS		
From Operations		
Net earnings (loss) for the period	$(560,368)	$ 74,961
Non-cash items	839,424	102,243
	279,056	177,204
Sale of common shares	29,545	5,180
Gas production prepayment	—	50,000
	308,601	232,384
APPLICATION OF FUNDS		
Property, plant and equipment — net	750,855	908,435
Investment in and advances to Siebens Oil & Gas (U.K.) Limited	(4,380)	274,513
Taxes on incomes of predecessor companies	—	193,156
Other	57,302	(32,386)
	803,777	1,343,718
DECREASE IN WORKING CAPITAL	$ 495,176	$1,111,334

The accompanying notes are an integral part of this financial statement.

NOTES TO 1972 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Siebens Oil & Minerals, Inc. and Siebens Oil & Gas (Malta) Limited.

(b) Oil and Gas Operations

Petroleum and natural gas leases and rights held at January 7, 1970 (date of amalgamation of predecessor companies) are carried in the accounts of the company at the lower of cost or market value at such date; subsequent additions are at cost. The book value of such leases and rights is charged to income if the property is determined to be unproductive. Carrying charges of non-producing properties are charged to income as incurred.

Exploration expenses are capitalized and are charged to income if the exploration project is determined to be unsuccessful. The costs of drilling a productive well are capitalized and costs of an unproductive well are charged to income when the well is determined to be dry. The costs of successful exploration projects, producing leases and producing wells are depleted using the unit of production method based on estimated recoverable quantities of oil and gas as determined by the company.

(c) Foreign Currencies

The accounts of foreign subsidiaries are converted to Canadian dollars on the following basis:

i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;

ii) Fixed assets, at the average rate of exchange for the years in which the respective assets were acquired;

iii) Revenue and expenses, at the average rate of exchange for the year.

The loss on conversion has been charged to earnings.

(d) Income Taxes

Reference is made to Note 4.

NOTE 2 DEPOSITS AND PROMISSORY NOTES PAYABLE

The company has issued non-interest bearing promissory notes of $1,397,033 and lodged these notes with government agencies or with partners in joint ventures as security for the fulfillment of exploration requirements in an equal amount. These promissory notes payable are guaranteed by the company's banker which guarantees are secured by marketable securities having a cost of $2.8 million, an assignment of certain oil and gas rights and a general assignment of book debts.

In addition to promissory notes payable of $1,397,033 the company has issued a further $155,808 in non-interest bearing promissory notes to governmental agencies as permit deposits for account of partners in joint ventures which are fully secured by cash deposits or by notes issued by such partners and guaranteed by their bankers.

NOTE 3 CAPITAL STOCK

(a) During the year, the company issued 5,300 shares for $29,545 cash on exercise of options.

(b) 93,700 shares of the company are reserved under a share option plan dated January 7, 1970. As of August 31, 1972 officers and employees held options granted under the plan to purchase 40,500 shares of the company at prices ranging from $5.04 to $7.74 per share, exercisable in annual instalments to September, 1977.

NOTE 4 INCOME TAXES

The company claims capital cost allowances, drilling, exploration and lease acquisition costs for income tax purposes in excess of the related amounts reflected in its accounts and provides in its accounts only for the taxes payable on its taxable income for the year. As at August 31, 1972, expenditures of $1,040,000 (subject to final determination by taxation authorities) remain to be carried forward and applied against future taxable income.

The company's basis for accounting for income taxes differs from the deferred tax basis under which the income tax provision is based on the earnings reported in the accounts. If the deferred tax basis had been followed, income taxes of $420,000 would have been provided for the year ended August 31, 1972 (1971 - $45,000) and the earnings for the year would have been reduced accordingly. The accumulated income tax reductions relating to all timing differences in the current year and prior periods amount to approximately $535,000 at August 31, 1972.

NOTE 5 STATUTORY INFORMATION

Remuneration paid during the year ended August 31, 1972 to directors and senior officers of the company totalled $129,097.

AUDITORS' REPORT

TO THE SHAREHOLDERS
SIEBENS OIL & GAS LTD.

We have examined the consolidated balance sheet of Siebens Oil & Gas Ltd. and its subsidiaries as at August 31, 1972 and the consolidated statements of earnings, retained earnings (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
October 12, 1972.

(SIGNED) RIDDELL, STEAD & CO.
Chartered Accountants.

Siebens

OIL & GAS LTD.

Annual Report 1972

QUAD-M GRAPHIC RESOURCES LTD
FOOTHILL PRINTERS LIMITED - CA

SIEBENS OIL & GAS LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(Unaudited)

	Six Months Ended February 29 1972	1971
SOURCE OF FUNDS		
From Operations		
Net earnings (loss) for the period	$1,132,008	$(164,611)
Items not involving funds:		
Depletion and depreciation	31,722	47,527
Property surrenders	8,474	4,396
Loss (gain) on sale of oil & gas rights	(1,091,230)	11,821
	80,974	(100,867)
Proceeds from sale of oil & gas rights	1,204,366	61,621
Proceeds from sale of shares	16,077	—
Other	5,000	35,752
Oil & gas production prepayment	—	50,000
	1,306,417	46,506
APPLICATION OF FUNDS		
Property, plant and equipment - net	1,338,015	649,192
Tax re-assessment of predecessor companies	—	121,156
	1,338,015	770,348
INCREASE (DECREASE) IN WORKING CAPITAL	$ (31,598)	$(723,842)

SIEBENS OIL & GAS LTD.
300 Three Calgary Place
Calgary, Alberta T2P 0J1

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SIEBENS OIL & GAS LTD.

INTERIM REPORT
TO SHAREHOLDERS

FOR SIX MONTHS ENDED
FEBRUARY 29, 1972

To The Shareholders:

EXPLORATION AND DEVELOPMENT DRILLING

During the past quarter the Company participated in the drilling of 8 development and exploratory wells in Alberta. Five wells were successfully completed and three wells were abandoned. In the Medicine Hat gas field 4 gross wells (1½ net wells) were completed in the Milk River zone while one oilwell owned 22½% by the Company was completed in the Triassic Sunset field in northwestern Alberta. Compressor and gathering facilities have been installed in the Medicine Hat gas field to handle gas production from the Milk River formation and production is expected to commence in March of this year.

A total of 18 wells were drilled on Company lands at no cost to the Company resulting in 5 gas wells and 13 abandonments. Gas discoveries occurred in the Woking area, north of the town of Grande Prairie, and the Pelican and Amesbury areas of northeastern Alberta. Additional drilling is expected in the Woking area this coming year.

Fifteen wells were drilled on lands in which the Company holds varying overriding royalty interests resulting in 11 successful gas well completions, 1 oilwell and 3 dry holes. Seven of the gas wells were drilled in the Medicine Hat gas field, 3 gas wells were completed in the Greenan area of Saskatchewan, a single gas well was drilled in the Pakowki area of southern Alberta and the oil well was completed in the Alexander area, 15 miles northwest of Edmonton.

The Company will continue having its lands evaluated by means of farmouts to other companies when it is felt this is advantageous. Development drilling will also continue in the Pouce Coupe and Sunset oil fields.

MALTA

The Home et al Malta #1 well, located off the east coast of the island of Malta in the Mediterranean Sea, commenced drilling January 2, 1972 and has progressed beyond 6,000 feet at this date. The Company has a 21¼% working interest in the well, which is programmed to be drilled to 10,000 feet and is operated by Home Oil Company Ltd.

UNITED KINGDOM

Siebens Oil & Gas (UK) Limited (owned 40% by Siebens Oil & Gas Ltd.) was recently awarded Production Licenses covering seven exploration blocks by the Department of Trade and Industry in waters on the continental shelf surrounding the United Kingdom. A 95% interest was obtained in 2 blocks in the northern North Sea, 2 blocks in the Celtic Sea and 1 block west of the Shetland Islands. A 47½% interest was obtained in another block in the northern North Sea as was a 10% interest in a block in the same area. Siebens Oil & Gas (UK) Limited now holds varying interests in 9 blocks in this highly active exploration area. Estimated acreage awarded to the Company totals 390,610 gross acres or 301,910 net acres.

The North Sea, Celtic Sea and West Shetlands areas are basins containing sedimentary rocks of relatively young geologic age coupled with many enormous unbroken structures. It is estimated some 200 exploratory wells will be drilled in these areas during the next 6 years at a cost of $500 million.

Detailed seismic surveys will be conducted over the awarded blocks prior to selecting locations for drilling. Exploratory drilling will commence as soon as suitable semisubmersible drilling vessels are available.

W. W. Siebens
President

April, 1972

SIEBENS OIL & GAS LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	Six Months Ended February 29 1972	1971
REVENUE		
Oil and gas production	$ 193,742	$ 189,211
Interest	416,336	433,719
Sale of oil and gas rights and seismic information	1,142,562	2,095
Other	27,279	40,488
	1,779,919	665,513
COSTS AND EXPENSES		
Production expense	84,324	37,339
Carrying charges of non-producing properties	234,346	203,945
Exploration expense	15,145	237,544
Dry hole costs	95,376	143,884
Property surrenders	8,474	4,396
General and administrative	178,524	155,489
Depletion and depreciation	31,722	47,527
	647,911	830,124
NET EARNINGS (LOSS)	$1,132,008	$(164,611)
EARNINGS (LOSS) PER SHARE	18¢	(03¢)